Distr.
GENERAL

IDB.22/10
14 April 2000

United Nations Industrial Development Organization

ORIGINAL: ENGLISH

Industrial Development Board

Twenty-second session
Vienna, 30-31 May 2000
Item 8 of the provisional agenda

ESTABLISHMENT OF AN INTERNATIONAL CENTRE FOR SUSTAINABLE DEVELOPMENT

Report by the Director-General

CONTENTS

		Paragraphs	*Page*
Introduction		1	2
Chapter			
I.	BACKGROUND	2 - 6	2
II.	PREPARATORY PHASE	7 - 12	3
III.	ESTABLISHMENT OF THE CENTRE	13 - 21	3
IV.	ACTION REQUIRED OF THE BOARD	22	5
Annexes			
I.	Proposed institutional structure		6
II.	Note from Permanent Mission of Slovenia		7
III.	Explanatory statement		8

For reasons of economy, this document has been printed in a limited number. Delegates are kindly requested to bring their copies of documents to meetings.

V.00-53302 (E)

Introduction

1. In a communication dated 31 March 2000, the Permanent Mission of Slovenia requested the inclusion of the present item in the agenda of the forthcoming session of the Board. That communication is reproduced in its entirety in annex II to the present document. The explanatory statement is contained in annex III.

I. BACKGROUND

2. Over the last 50 years the living standards in the developed countries have significantly increased, due to continued economic growth fed by important scientific breakthroughs. However, this rapid progress has also been accompanied by an intense exploitation of the world's natural resources and dangerously high levels of pollution of all the world's environmental media: the atmosphere, surface and ground waters, the soil, the biota. In the twenty-first century, globalization of world industry and markets will most likely produce a similarly rapid development of today's developing countries and transition economies. This is likely to place ever higher strains on the world's ecosystems with concomitant brakes on the rise of living standards of the developing countries and transition economies.

3. The unsustainability of these trends was recognized in 1992 at the United Nations Conference on Environment and Development (UNCED), which developed an overall programme of work (Agenda 21). That document argues that fundamental changes must be undertaken to lead countries towards sustainable development. The theme was taken up at the eighth session of the UNIDO General Conference, where in resolution GC.8/Res.3 the Conference recognized the role that UNIDO has to play in the field of sustainable industrial development and, *inter alia*, supported its role as a central coordinating agency within the United Nations system in the field of industry, with the objective of assisting developing countries and transition economies to achieve sustainable development through cleaner industrialization.

4. In order to succeed in moving countries towards sustainability, actions have to be undertaken in a wide variety of fields simultaneously. The purpose of establishing the international centre for sustainable development (ICSD) is to coordinate the actions of research and development (R and D) institutions of basic sciences, applied sciences and engineering in Central and Eastern Europe (CEE) as well as in the Newly Independent States (NIS), that are working in a variety of fields related to sustainable development. The basic problem that has to be solved is that the R and D community in the CEE and NIS countries is not yet fully aware that it has a very important role to play in bringing about sustainable development. As a consequence, the R and D institutions are not yet focusing their research programmes in any great way on themes explicitly of interest to sustainable development. This is complicated by the fact that the R and D community in the CEE and NIS countries does not have a mechanism for coordinating its efforts in the field of sustainable development, especially where sustainable development issues cut across several disciplines.

5. The centre will focus its efforts on the CEE and NIS countries because, as countries emerging from a common historical background of centrally planned economies, they pose similar challenges to the drive to reach sustainable development. The central planning era has left these countries with an industrial base that is outdated and very inefficient in its use of energy and natural resources. Enterprises are often badly sited for serving their new markets and/or bringing to them the raw materials that they need. At the same time, because of such bad location, they are impacting severely their local ecosystems and human populations. Product quality still has much room for improvement, and these countries' human resources often lack the skills to function effectively in an environment oriented towards the free market. Finally, these countries often lack the financial capacity to upgrade their industrial processes while being pressed by a population that demands to see rapid rises in their standards of living.

6. The Government of Slovenia strongly supports the establishment of ICSD. It believes that important synergies can be obtained if the region's R and D efforts in the field of sustainable development are harmonized and coordinated. It also believes that such coordination of efforts will be doubly valuable if there is a focus on the unique set of obstacles which all the countries of the region face on the path to sustainable development—obstacles linked primarily to their common heritage of economic development within a central planning mechanism. The Government of Slovenia further believes that there are important advantages from locating ICSD in Slovenia itself. The country's experience with centrally planned and socialist self-managed economies, as well as with socialist political systems, makes it an excellent basis from which to address the issues of sustainable development in all the countries of the region. At the same time, Slovenia has a vibrant scientific and technological potential, recognized throughout the region, which the R and D community is ready to bring to bear on the problems of sustainable development. Slovenia is also one of the economically most advanced countries in the CEE and NIS region and one of the first invited by the European Union to start the process of accession. As a result, the Government of Slovenia is ready to fund the establishment of ICSD.

II. PREPARATORY PHASE

7. It was recognized that the concept underlying ICSD was so novel that some important initial work was required to ensure its long-term sustainability. One important issue stems from the need for the centre's work to be based on a multi- and interdisciplinary approach involving research and development in many different fields. Careful preparation was therefore required to ensure the creation of mechanisms that would lead to a harmonious coordination of these various disciplines. Another important issue is the regional dimension of the centre. Once again, careful preparation was required to ensure that mechanisms were created that would take full advantage of the whole region's activities in these fields.

8. A one-year preparatory phase was therefore initiated in July 1999, funded by the Government of Slovenia, that would provide for the transition from the definition stage to the actual establishment and operation. The preparatory activities were to develop the terms of reference of the centre and its initial work programme, develop the centre's business plan, identify operational modalities, establish and deepen the contacts with the relevant institutions in the other countries in the region, verify the utility of the proposed activities, and in general lay the basis for its establishment as a centre of excellence.

9. Feedback for the preparatory activities was received through three meetings on the subject of sustainability. A first meeting, the regional European meeting on the transition to sustainability, was held in June 1999. A second was held in December 1999 on sustainable development policy and economic growth in CEE countries. A third meeting, the regional ministerial conference on science, technology, education—the cornerstones for sustainable development, will be held in May 2000.

10. The Government of Slovenia brought the concept of ICSD to the attention of the members of the Industrial Development Board at its twenty-first session in 1999 (IDB.21/SR.3, para. 54). The idea was also reflected in the documentation for the eighth session of the General Conference (GC.8/13, para. 9).

11. Representatives of the Government of Slovenia have met with their counterparts in other countries in the region. Letters of support for the centre have been received from the authorities of Bosnia and Herzegovina, Croatia and the former Yugoslav Republic of Macedonia, while other such letters have been received from R and D institutions in the Russian Federation. Furthermore, the idea was presented by the Government of Slovenia at the Conference of Ministers of Science held in October 1999 in Brno, Czech Republic, where it met with positive reactions from the Czech Republic, Hungary, Poland and Slovakia.

12. Working contacts were established between the founding institutions in Slovenia and the International Centre for Science and High Technology (ICS) in Trieste, Italy. The purpose of the contacts was to create long-term cooperative arrangements between ICS and the future ICSD, to maximize synergy and coordinate work programmes in order to optimize the results of both centres and avoid overlap.

III. ESTABLISHMENT OF THE CENTRE

13. The preparatory activities are now drawing to a close and the bulk of the planned outputs completed. The activities have confirmed the essential role that ICSD can play in coordinating R and D activities in the basic and applied sciences and engineering within the CEE and NIS countries. They have also confirmed the need for the continued involvement of UNIDO in its establishment and operation. To adequately infuse these R and D activities with the concepts of sustainable development, and to generate voluntary contributions and financial support from the CEE and NIS countries, it is considered essential for the centre to be under the auspices of UNIDO.

14. The scope of this project is fully consistent with five of UNIDO's service modules: environmental policy framework, cleaner production, energy efficiency, renewable energy development, and pollution control and waste management. In addition, many of the activities coordinated through the centre will be consistent with elements of other service modules: upgrading agro-industries and related technical skills (R and D related to more efficient and effective processing of crops), continuous improvement and quality management (R and D related to increasing productivity and production efficiency), industrial strategies and policies (research related to industrial policy and strategy for sustainable development is being covered), and investment and technology promotion (development and promotion of environmentally sustainable technologies).

15. In light of the foregoing, it is opportune to consider the arrangements for establishment of the centre. Its long-term objective is to become a world-leading provider of knowledge and experience for sustainable development, with a particular emphasis on the CEE and NIS region. The centre's proposed business and organizational structures are based on the vision of a nodal point working in close cooperation with participating R and D institutions and "national focal points for sustainable

development" to be created by participating Governments. This dynamic networked process will be capable of achieving maximum impact on the sustainable development of the CEE and NIS regions with the minimum cost.

16. The centre will undertake the following activities in its first years:

(a) **Project implementation and coordination**: ICSD will coordinate the work programmes of participating institutions in a number of fields where R and D is interrelated on the theme of sustainable development, providing assistance in project preparation and implementation, and providing support in project administration;

(b) **Information dissemination**: Building on the need of the countries in the region to harmonize their laws with European Union directives, in particular the Directive on Integrated Prevention and Pollution Control (IPPC), ICSD will coordinate efforts of participating institutions to identify best available technologies (BAT), will formulate pilot projects in selected industrial branches, and will establish industrial harmonization and IPPC relay centres—initially in Croatia and the former Yugoslav Republic of Macedonia and later in other countries, and will maintain an IPPC clearing house for best available technologies;

(c) **Capacity-building**: Together with participating institutions, ICSD will support specialized courses in sustainable development for SMEs, workshops for government employees, a graduate programme in sustainable development management, and other activities to stimulate public dialogue;

(d) **Cooperation with national focal points for sustainable development**: The centre will closely cooperate with national focal points for sustainable development as these are established in the CEE and NIS countries.

17. The centre will be located in Ljubljana, Slovenia. It will be run by a director and composed initially of two more staff, and it will report to a steering committee. The steering committee will be composed of two representatives of UNIDO and representatives of the Governments participating in the centre (initially Slovenia). In turn, the steering committee will report to the Director-General of UNIDO. The centre and steering committee will be assisted by an international science council, whose membership will be composed of representatives of the institutions participating to the centre's work, representatives of the financial community and representatives of the industrial community.

18. The steering committee will make recommendations to the Director-General on the nominations for the centre director, and will review and adopt the annual work programme and budget of the centre, prior to their submission to the Director-General of UNIDO for his approval. Furthermore, the steering committee will assist the centre to maintain cooperative arrangements with the responsible authorities and institutions in the European Union and NIS countries. The international science council will make recommendations on the annual work programme of the Centre. At UNIDO Headquarters, the Cleaner Production and Environmental Management Branch of the Sectoral Support and Environmental Sustainability Division will have an overall supervisory role, in particular to ensure that the centre coordinates its activities with other projects of UNIDO concerned with sustainable development.

19. The major beneficiaries of the work of the centre would be:

(a) Institutions throughout the region that are involved in research and development in pure and applied sciences and engineering with a focus on sustainable development;

(b) Small and medium-sized enterprises, particularly in the region, which would obtain knowledge of, and access to, sustainable industrial processes;

(c) National, subregional and municipal administrations, which would obtain knowledge of the policies and strategies they should pursue to promote sustainable development, and the tools to do this;

(d) National and international non-governmental organizations involved in sustainable development capacity-building and knowledge dissemination, which would find a partner in the centre.

20. The development of international centres as institutions of excellence is very much dependent on the cooperation of the scientific and technological community, and on donor support. The centre would be funded from voluntary contributions to UNIDO for that purpose, as well as from donations from Governments or institutions on a project basis. The foregoing considerations have been kept in mind in discussions with the representatives of Slovenia, who have indicated that, in order to give the centre its basic operating funds, the Government will reserve in its budget the amount of $250,000 annually for the period 2001 to 2005. These funds will be made available through a voluntary contribution of the Government to the UNIDO Industrial Development Fund for the purpose.

21. With regard to the constitutional mandate of UNIDO, it is proposed that the centre will be established within the legal framework of UNIDO. The institutional structure that is proposed for discussions with the Government of Slovenia is shown in annex I to the present document.

IV. ACTION REQUIRED OF THE BOARD

22. The Industrial Development Board is invited to consider the following draft decision:

"The Industrial Development Board:

"(a) Recalls that Article 1 of the Constitution of UNIDO states, *inter alia*, that the Organization shall also promote industrial development and cooperation on the regional level;

"(b) Takes note of the report of the Director-General on the initial proposal of the Government of Slovenia for the establishment of an international centre for sustainable development (IDB.22/10);

"(c) Decides that in accordance with paragraph 3 of Article 7 of the Constitution of UNIDO an international centre for sustainable development shall be established at Ljubljana, Slovenia, as a subsidiary organ of the Board, within the legal framework of UNIDO. The centre shall be financed exclusively by voluntary contributions to UNIDO, and shall have the proposed institutional structure as stated in the annex to document IDB.22/10. The purpose of establishing the international centre for sustainable development is to coordinate the actions in the field of industry of research and development institutions in Central and Eastern Europe as well as in the Newly Independent States that are working in a variety of fields related to sustainable development in the field of industry;

"(d) Requests the Director-General to conclude an agreement with the Government of Slovenia for the establishment and long-term operation of the centre;

"(e) Calls upon the Director-General to ensure that due regard to the principle of equitable geographical representation among contributing States shall be given in the composition of the steering committee and international science council of the centre;

"(f) Calls upon the Director-General to report on the activities of the centre regularly to the Industrial Development Board;

"(g) Invites the General Conference at its ninth session to take note of the present decision."

Annex I

PROPOSED INSTITUTIONAL STRUCTURE

General

1. The centre will be financed from voluntary contributions to be made to UNIDO for the purpose, as well as from donations from Governments or institutions on a project basis. No expenditure may be charged to the UNIDO regular budget except to the extent that the regular budget is reimbursed for such expenditures. To reimburse administrative and other support costs by the UNIDO Secretariat, the Director-General shall determine the overhead rate at which expenditures for centre activities shall be charged. Provision shall also be made for reserves for the liquidation of claims from staff of the centre and from third parties.

2. The Government of Slovenia and UNIDO shall conclude the necessary agreements defining the objectives, the financial contributions of the Government of Slovenia, and the legal status of the centre and providing privileges and immunities, exemptions and benefits at a level comparable to that provided to other agencies of the United Nations. The agreement shall be concluded without delay in order to enable UNIDO to implement the institutional structure set out herein.

3. The centre will be located in Ljubljana, Slovenia.

Director-General

4. The Director-General of UNIDO shall be the chief administrative officer of the centre in accordance with Article 11 of the Constitution of UNIDO. In that capacity he shall ensure that the centre is administered in accordance with the Financial and Staff Regulations and Rules of UNIDO and he may, as necessary, issue special rules and administrative instructions or circulars for the centre. The Director-General shall appoint the director and other staff of the centre in accordance with the staff regulations and Staff Rules of UNIDO.

Director of the centre

5. Subject to the authority of the Director-General of UNIDO as chief administrative officer, the director shall be responsible for the management and administration of the centre. He shall prepare the work programme and budget of the centre, having considered the recommendations of the international science council, and he shall modify the business plan of the centre if and where necessary.

Steering committee

6. A steering committee will be composed of representatives of Governments of participating countries (initially three representatives of the Government of Slovenia), and two representatives of UNIDO appointed by the Director-General. The steering committee shall review and agree on the draft annual work programme and budget of the centre, as well as the business plan of the centre if modified, prior to their submission to the Director-General of UNIDO for his approval. For its review, the steering committee shall take into account the recommendations of the international science council, the amount of resources available from donors and the priorities attached by them to the different activities of the centre. Where requested to do so by the Director-General, the steering committee will oversee modifications to the work programme, budget and revised business plan submitted to him. The steering committee will also make recommendations to the Director-General on the nominations of the centre director.

International science council

7. The Director-General of UNIDO will constitute an international science council, whose membership will be composed of representatives of the institutions participating in the work of the centre, of the financial community and of the industrial community. The Director-General of UNIDO, taking into consideration the proposals of the steering committee and the Director, shall choose the members of the international science council. The council will advise on the centre's work, normally meeting at least once a year. In particular, the council will review the draft work programme and budget and make its recommendations thereon.

Programme and budget

8. The Director-General of UNIDO will establish under the financial regulations and financial rules of UNIDO a trust fund for the purpose of the centre.

9. Five-year projections of the centre's overall programme and budget shall be made and shall be extended biennially for five-year periods, following the budget cycles of UNIDO. Yearly, the projections will be turned into annual work programmes and budgets. Donor commitments shall be made on the basis of these annual budgets, although they can be made on the basis of the five-year projections. Payments shall be made on at least a yearly basis.

Annex II

NOTE FROM THE PERMANENT MISSION OF SLOVENIA

VELEPOSLANIŠTVO REPUBLIKE
SLOVENIJE
BOTSCHAFT DER REPUBLIK
SLOWENIEN
Nibelungengasse 13/III 1010 Wien
Tel. 586 13 06, 586 13 07, Fax 586 12 65

No. 139/00

NOTE VERBALE

The Permanent Mission of the Republic of Slovenia to the United Nations Industrial Development Organization in Vienna presents its compliments to the United Nations Industrial Development Organization and, with reference to Rule 11, paragraph 2, of the Rules of Procedure of the Industrial Development Board, has the honour to request it to kindly include in the agenda of the twenty-second session of the Industrial Development Board an additional item entitled "Establishment of an International Centre for Sustainable Development". An explanatory statement on the reasons for this request is attached to this note.

The Permanent Mission of the Republic of Slovenia avails itself of this opportunity to renew to the United Nations Industrial Development Organization in Vienna the assurances of its highest consideration.

Vienna, 31 March 2000

[*Seal of the Permanent Mission of Slovenia*]

To the
United Nations Industrial Development Organization
VIENNA

Annex III

EXPLANATORY STATEMENT

In responding to demand and development priorities of member countries and in consistency with the Business Plan, UNIDO's new focuses have been placed *inter alia* on the transition economy countries in the region of Central and Eastern Europe and the newly independent States. In rapid globalization, only countries that have advanced in their transition to a market economy are beneficiaries of that process. Nevertheless, with their insight understanding of the problems and, equally important, with their own growing strength, there is a basis for a cooperative shift towards new, active solutions.

Since sustainable development, with its numerous and far-reaching aspects, is a vital element of strengthening efforts of UNIDO with its role as a central coordinating agency within the United Nations system in the field of industry and in promoting environmentally sustainable industrial development, the importance of knowledge and experience for sustainable development with a particular emphasis on the CEE and NIS region, is imminent. Thus, a dynamic, networked, process-based approach, capable of achieving the maximum impact on sustainable development of the region with the minimum cost, is needed.

Recalling the information delivered by the Slovenian delegation during the twenty-first session of the Industrial Development Board (IDB.21/SR.3), recalling the report by the Director-General on the implementation of the Business Plan in Europe and NIS during the eighth session of the General Conference (GC.8/13) and bearing in mind the finalizing stage of the joint project by Slovenia in cooperation with UNIDO, an international centre for sustainable development in Slovenia would provide the tool, ensured in its work programme and budget, to cope with actual dynamism in the CEE and south-east Europe.

Accordingly, it is desirable that Member States would account the active needs in the field of sustainable development in the region. With all above-mentioned considerations, this forms the basis of our request for the inclusion of this item in the agenda of the twenty-second session of the Industrial Development Board, to be held on 30 and 31 May 2000.